

1 agreements that the firm was handling at that time other  
2 than --

3 THE WITNESS: I can't remember any, no.

4 MR. SHOOK: Alright. The Bureau offers Exhibit  
5 24.

6 THE COURT: Any objection.

7 MR. GUZMAN: No, Your Honor.

8 MR. HALL: No objection.

9 THE COURT: Bureau Exhibit 24 is received.

10 (The document referred to was  
11 marked for identification as  
12 Mass Media Bureau Exhibit 24,  
13 and was received in evidence.)

14 BY MR. SHOOK:

15 Q Please turn to Exhibit 25 where it says on the  
16 first page, "From Bob Watson." Is that from you?

17 A Yes.

18 Q Do you recognize this document as one that you  
19 sent to Rick Brown?

20 A Yes.

21 Q And I take it you did send it to him?

22 A Yes.

23 MR. SHOOK: Your Honor, the Bureau offers Exhibit  
24 25.

25 THE COURT: Who was Rick Brown representing at

Heritage Reporting Corporation  
(202) 628-4888

1 this time, Mr. Watson?

2 THE WITNESS: Dave Hicks.

3 THE COURT: Any objection to Bureau Exhibit 25?

4 MR. GUZMAN: No, Your Honor.

5 MR. HALL: None from Hicks, Your Honor.

6 THE COURT: Yes, the exhibit is received.

7 (The document referred to was  
8 marked for identification as  
9 Mass Media Bureau Exhibit 25,  
10 and was received in evidence.)

11 BY MR. SHOOK:

12 Q Mr. Watson, I want you to turn back. And it's the  
13 second volume. You have it there. It's the Mass Media  
14 Bureau Exhibit 5. It's four pages total, and if you would  
15 just take a brief moment to glance through it.

16 First of all, do you recognize this document?

17 A Yes.

18 Q And could you give us a general description of  
19 what it is?

20 A Well, when Pathfinder indicated their interest in  
21 buying WRBR, it was at that time that we asked to see the  
22 financial statements of WRBR, the complete financial  
23 statements. And this was sent to us --

24 Q And do --

25 A -- from Booth America.

1 Q Excuse me for interrupting. Was this a document  
2 then that you reviewed?

3 A I remember seeing it, but I didn't -- don't think  
4 I concentrated on it. But yeah, I remember seeing it.

5 Q And what does it tell you generally about the  
6 financial situation of WRBR?

7 A Well, it shows -- it showed us what we thought we  
8 probably already knew, and that they were losing money.

9 Q And could you help me locate where on this  
10 document that's being shown, or how does one figure that  
11 out?

12 A That would -- well, from what I see here, you'd  
13 have to go to page 4. And if I see the year-to-date number  
14 under actual and I'm looking for cash flow, and it shows a  
15 loss of \$286,000.

16 Q And that's for what? The year 1992?

17 A I'm not sure. I'd have to look back to see if I  
18 could tell. I'm not sure I can tell exactly what that is.

19 Q Alright. If you go back to the first page, there  
20 appears to be a handwritten number under the word "actual."

21 A Okay. I do see that.

22 Q So, a fair reading of this document would be that  
23 WRBR's cash flow for the year 1992 was minus \$286,000?

24 A Yes, according to this document, that's what it  
25 was.

1 Q Right. And then for 1991, the corresponding  
2 figure would be about \$248,000?

3 A Yes.

4 Q Were you aware of anything that had changed during  
5 the year 1993 with respect to WRBR?

6 A Well, in 1993, of course, we did have the Joint  
7 Sales Agreement, the language of course had started already.

8 Q Understood. And that in turn had some impact on  
9 the loss at WRBR?

10 A Well, I don't know if that was the impact on the  
11 loss. The JSA, Joint Sales Agreement, certainly wasn't  
12 doing very well. I mean, sales weren't very well in that  
13 time. There was other factors I'm sure too, then the  
14 economy and many things. But certainly the JSA wasn't  
15 living up to its potential.

16 Q But the basic idea though was that WRBR was still  
17 a money-losing proposition in 1993?

18 A Yes. It appears they lost in 1993.

19 MR. SHOOK: Your Honor, the Bureau offers Exhibit  
20 5.

21 THE COURT: Any objection?

22 MR. GUZMAN: None, Your Honor.

23 MR. HALL: No, Your Honor.

24 THE COURT: The exhibit is received.

25

1 (The document referred to was  
2 marked for identification as  
3 Mass Media Bureau Exhibit 5,  
4 and was received in evidence.)

5 BY MR. SHOOK:

6 Q Mr. Watson, could you please turn to Mass Media  
7 Bureau Exhibit 30? You don't have to study it, sir. It's  
8 about seven pages in length. I just want you to have an  
9 idea of what's there.

10 A Okay.

11 Q Recognizing that you've had only a brief look at  
12 this, would it be an appropriate understanding that Exhibit  
13 30 accurately describes the physical assets involved in the  
14 WRBR sale from Booth to Hicks?

15 A Yes, it would appear to.

16 Q And this is a document that you have looked at, at  
17 about that time, was it not?

18 A About what time?

19 Q The draft notation at the top right indicates that  
20 it's from November of 1993?

21 A I don't remember -- I don't remember ever seeing  
22 this. I'm not saying I didn't, but I just don't remember  
23 this at all.

24 Q In your role in the process that --

25 A I may have. I mean, it's very possible that I

1 did.

2 Q Okay. Now, you don't have any reason to believe  
3 that you did not?

4 A No.

5 MR. SHOOK: The Bureau offers Exhibit 30.

6 THE COURT: Any objection?

7 MR. GUZMAN: Your Honor, I don't understand the  
8 purpose for which it's being offered. Mr. Watson hasn't  
9 been able to verify it. He didn't look at it very closely  
10 pursuant to Mr. Shook's instruction. And so, I guess I do  
11 have an objection at this time.

12 THE COURT: Mr. Shook, what's the purpose of this  
13 exhibit, and could you tell me how you obtained this  
14 exhibit?

15 MR. SHOOK: Well, Your Honor, you'll note at the  
16 bottom right, there's a Bates stamp number. We obtained the  
17 document during discovery and so far as we know, it reflects  
18 one of the draft documents that were going back and forth  
19 among the entities that were involved in the negotiations  
20 for the purchase of WRBR. So, from that standpoint we have  
21 no reason to question the authenticity of the document, and  
22 given Mr. Watson's role as we have been describing it up to  
23 this point, we have every reason to believe that he would  
24 have looked at this document and determined that this was  
25 basically what it was that was going to be purchased by

1 Hicks Broadcasting of Indiana, LLC.

2 THE COURT: Well, okay. Now, how is it relevant  
3 that whether or not he reviewed this exhibit or not?

4 MR. SHOOK: Well, it's in terms of -- it's what  
5 we're trying to establish here is a course of activity, who  
6 was involved, who was doing what, and in some respects,  
7 raising the inference of who was not doing things.

8 THE COURT: Your testimony is you reviewed draft  
9 documents that were being passed around in connection with  
10 the WRBR transaction. Is that correct?

11 THE WITNESS: I'm sorry, sir?

12 THE COURT: You reviewed the draft documents?

13 THE WITNESS: Yes.

14 THE COURT: Including documents showing what you  
15 were actually -- Hicks was going to purchase, did you not?

16 THE WITNESS: Yes, I think I would have reviewed  
17 it. I mean, I would have seen them. I'm not even sure.  
18 This may have been an exhibit to the contract. I don't  
19 know. I mean, a draft of the exhibit to the contract. I  
20 just don't --

21 BY MR. SHOOK:

22 Q Well, as far as that goes, if you look at the  
23 upper left-hand portion of the document, it makes reference  
24 to a schedule.

25 A Yeah.

1 Q You know what that refers to, do you not?

2 A No, I -- I can only assume. I'm assuming it's a  
3 schedule to the Asset Purchase Agreement.

4 MR. GUZMAN: Your Honor, a few points to make to  
5 here. First, in this case in the discovery, we've always  
6 had the understanding with the Bureau that the Bates numbers  
7 down at the bottom do not necessarily denominate the sole  
8 source of the document, in other words, the only file from  
9 which the documents could have come, because Pathfinder  
10 retains files for its broadcasting pursuant to an operating  
11 agreement -- excuse me, an accounting agreement.

12 Many of the documents produced on behalf of Hicks  
13 Broadcasting came through Mr. Watson and may have been  
14 produced by Latham & Watkins. So, the actual fact of a  
15 Bates stamp means little in terms of the actual source of  
16 the document.

17 To the extent that Mr. Shook is trying to offer  
18 this is indicative of who was involved in the process and by  
19 inference, who may not. Mr. Watson's testimony that he  
20 doesn't remember anything about it completely defeats that  
21 purpose.

22 THE COURT: That's not his testimony. His  
23 testimony is he reviewed the documents in connection with  
24 the transaction including documents relating to the physical  
25 assets that would be purchased. Did you not?



1 THE WITNESS: I'm sure that I saw this -- I mean,  
2 I would have seen it, yes.

3 THE COURT: I mean, wasn't your role to see all  
4 the documents in order to make some kind of judgments and  
5 provide advice?

6 THE WITNESS: Yes, sir. Yes, Your Honor.

7 MR. HALL: Your Honor?

8 THE COURT: Yes.

9 MR. HALL: There's an additional objection  
10 problem here. Mr. Shook has laid no foundation that even if  
11 Mr. Watson had reviewed the document that he would have any  
12 basis to know whether those accurately represents all of the  
13 physical assets.

14 THE COURT: Well, I assume it's not offered for  
15 the truth, just for the mere fact that this witness --

16 MR. HALL: Except that Mr. --

17 THE COURT: -- dealt with all these documents.

18 MR. HALL: Except that Mr. Shook specifically  
19 asked him as part of his examination whether or not this  
20 accurately represented the list of assets to buy. And in  
21 his defense, his response to Mr. Guzman's objection, he  
22 further indicated that he believed that Mr. Watson should be  
23 able to testify as to whether or not this accurately  
24 indicated whether or not these were the assets that Hicks  
25 Broadcasting of Indiana, LLC, was going to acquire.

1           There's simply no basis that if Mr. Watson was  
2     reviewing these documents, he was reviewing them for the  
3     purpose of determining the specific parameters of the assets  
4     to be purchased, or that he would have any knowledge of  
5     those assets.

6           THE COURT: I understand that. But are you  
7     claiming that this is not an accurate rendition of what  
8     was --

9           MR. HALL: I'm not claiming that one way or  
10    another, Your Honor. I'm simply saying that this witness  
11    has not been established as a basis for bringing that  
12    evidence in.

13          THE COURT: I understand that. Whether this  
14    witness is or not, I think in the absence of evidence  
15    indicating this document somehow is not a rendition of the  
16    material which the parties are relying on as constituting  
17    the facilities to be purchased, I'm going to assume that it  
18    is an accurate report unless you can show me other documents  
19    showing that there's a -- that this, in fact, is not true,  
20    and that there were other facilities, that this is  
21    inaccurate in some major respects.

22          MR. WERNER: Well, if I may, Your Honor, the  
23    document speaks for itself. And if you'll note in the upper  
24    right-hand corner, it's indicated as a draft document.

25          THE COURT: I understand that.

1           MR. WERNER: Which means that if it's not  
2 finalized, there may be a finalized document out there which  
3 portrays different facilities for those which are indicated  
4 here, either additions or deletions from this list.

5           THE COURT: Well, I don't think Mr. Shook is  
6 interested as far as I know in whether this document  
7 contains a complete list of all the equipment in all the  
8 facilities, except this is a draft document. It's obvious  
9 it's not the final document. It's only a draft. And to  
10 that extent, this is an authoritative copy of a draft, which  
11 would pass between the parties during the course of  
12 negotiation concerning the purchase of these facilities.

13           MR. HALL: Well, we don't know that from this  
14 witness, Your Honor.

15           THE COURT: Well, I'm satisfied that I can rely on  
16 it, though, however. Considering its source and without any  
17 reason to think otherwise -- I mean, we can call, I guess,  
18 Mr. Booth or somebody from Booth America if you wanted to  
19 authenticate this as one of the draft documents, but I don't  
20 think that's necessary.

21           MR. CRISPIN: Your Honor, if I understand what the  
22 debate has been thus far, I thought that Mr. Shook was not  
23 offering it to prove up what assets passed or were to be  
24 passed under this Asset Purchase Agreement. I had the  
25 understanding that he was offering the document to establish

1 this witness' role in a process. And the only difficulty I  
2 have with that just from protecting the record's point of  
3 view, is this witness has not been able to definitively  
4 state that this is a document he reviewed in the process.

5 So, I can understand why Your Honor may decide to  
6 have the exhibit in to establish what passed or what didn't  
7 pass with or without the help of someone from Booth or  
8 someone along the line who's going to testify. But as far  
9 as this witness is concerned, until he is able to say, "This  
10 is something I looked at, as opposed to something I may have  
11 looked at or can't remember looking at," I'm not sure how it  
12 can be accepted for the purpose it's being offered.

13 THE COURT: Well, let me ask the witness. Would  
14 you review that document more carefully than you have up to  
15 now, and then let me know whether or not you recall seeing  
16 this document at some point in negotiations?

17 THE WITNESS: I remember seeing a document that  
18 looks similar to this in an asset list, yes.

19 THE COURT: I will receive Mass Bureau Exhibit 30.

20 (The document referred to was  
21 marked for identification as  
22 Mass Media Bureau Exhibit 30,  
23 and was received in evidence.)  
24  
25

1 BY MR. SHOOK:

2 Q Mr. Watson, could you please turn to Mass Media  
3 Bureau Exhibit 32? Can you identify the document, sir?

4 A Maybe I can read it.

5 Q Just to make sure we're looking at the same thing,  
6 it's Mass Media Bureau Exhibit 32.

7 A Starts off, "Attention Rick Brown?"

8 Q No, sir.

9 A Whoops. I'm on the wrong exhibit. Sorry.

10 THE COURT: Before we do this, we'll take a 10  
11 minute recess.

12 (Whereupon, a short recess was taken.)

13 THE COURT: Before we go on, Mr. Shook, I don't  
14 want to interrupt your cross-examination, but I think it's  
15 important to have in the record this witness' background  
16 with Mr. Dille. He's indicated that he's worked for him  
17 some 17 years, and I think to understand any of the facts  
18 that took place during the period we're interested in, we  
19 have to know exactly -- I think we need more information in  
20 the record as to what he's done for Mr. Dille through the  
21 years, what roles he'd had in the corporations.

22 So, then we'd have some kind of background at  
23 least to understand these questions now of what his  
24 involvement was in this transaction. I don't think we have  
25 that in the record.

1 MR. SHOOK: Probably not in the detail that you're  
2 suggesting, but I'm not sure we don't.

3 Your Honor, let me get to that in a different --

4 THE COURT: Alright --

5 MR. SHOOK: -- in a different point in time. But  
6 I will go back to that.

7 Mr. Watson, when we left I believe we were at  
8 Exhibit 32. On both pages 1 and 2, there are the letters  
9 "OK." Those were done by yourself?

10 THE WITNESS: Yes.

11 BY MR. SHOOK:

12 Q So, those are your initials underneath the OK's?

13 A Yes.

14 Q And that means you're okaying the payment of the  
15 bill?

16 A Yes.

17 Q Now, on the second page, you've indicated before  
18 what some of the numbers represented. If you could please  
19 with respect to this bill, what those numbers mean, the  
20 59495 and the 364831.

21 A The 59495 is a special projects account for  
22 Pathfinder Communications Corporation. And the 364.83.1 is  
23 legal expense for WLTA.

24 Q Now, turning to the first page, would I be reading  
25 this correctly that the \$36 there that's referenced to the

Heritage Reporting Corporation  
(202) 628-4888

1 call concerning the WRBR escrow agreement is going to be  
2 allocated to this special account that you just referred to?

3 A Yes. But may I add --

4 Q Certainly.

5 A -- page 2 of this bill does not go -- I mean, the  
6 detail for the \$286.66 is not shown on page 1.

7 Q Understood. I mean, there's just a reference to a  
8 previous balance.

9 A Okay.

10 Q I mean, is our understanding incorrect that these  
11 two pages go together?

12 A No. They do go together. It's just that the  
13 detail for the \$286 -- I just wanted to point out that the  
14 detail for the \$286 and how that distribution is being made  
15 is not shown here.

16 MR. SHOOK: Your Honor, the Bureau offers Exhibit  
17 32.

18 THE COURT: Any objection?

19 MR. GUZMAN: None, Your Honor.

20 THE COURT: Bureau Exhibit 32 is received.

21 (The document referred to was  
22 marked for identification as  
23 Mass Media Bureau Exhibit 32,  
24 and was received in evidence.)

25

1 BY MR. SHOOK:

2 Q Mr. Watson, could you please turn to Exhibit 34?  
3 Is that your signature there?

4 A Yes, it is.

5 Q And you're the author of the letter?

6 A I am.

7 Q Did you ever discuss with Eric Brown the source of  
8 the funds for the minority shareholders escrow deposit?

9 A No.

10 Q Do you know whether anybody else did?

11 A No, I do not know. I don't believe anyone did,  
12 but you know, I don't know why they would have.

13 THE COURT: Well, when you sign it  
14 Secretary/Treasurer, who were you Secretary/Treasurer of?

15 THE WITNESS: I'm Secretary/Treasurer of -- you'll  
16 notice the two corporations up on top of the letterhead,  
17 Pathfinder Communication Corporation and Truth Publishing  
18 Company, Inc., both companies.

19 MR. SHOOK: Your Honor, the Bureau offers Exhibit  
20 34.

21 THE COURT: Any objection?

22 MR. GUZMAN: None, Your Honor?

23 MR. HALL: No, Your Honor.

24 THE COURT: Exhibit 34 is received.

25



1 (The document referred to was  
2 marked for identification as  
3 Mass Media Bureau Exhibit 34,  
4 and was received in evidence.)

5 BY MR. SHOOK:

6 Q Mr. Watson, could you turn to Exhibit 35?

7 A Okay.

8 Q On the second page, your name appears as a cc for  
9 this letter. Do you recall whether or not you received this  
10 letter?

11 A Yes.

12 Q And with respect to the information on the first  
13 page, it talks about a signed set of documents or a complete  
14 set of signed documents. What documents are being referred  
15 to here?

16 A They're talking about -- I'm sure they're talking  
17 about the -- well, I'm not positive at that point. Yeah, I  
18 believe it's talking about the Asset Purchase Agreement.

19 Q Then it's your recollection that you received a  
20 complete copy of the signed documents?

21 A Yes.

22 MR. SHOOK: Your Honor, the Bureau offers Exhibit  
23 35.

24 THE COURT: Any objection?

25 MR. GUZMAN: None, Your Honor.

1 MR. HALL: No, Your Honor.

2 THE COURT: Bureau Exhibit 35 is received.

3 (The document referred to was  
4 marked for identification as  
5 Mass Media Bureau Exhibit 35,  
6 and was received in evidence.)

7 BY MR. SHOOK:

8 Q Now, Mr. Watson, at this point we are right up to  
9 the end of November, beginning of December 1993. And that's  
10 when the Asset Purchase Agreement was signed. Do you recall  
11 that?

12 A Yes.

13 Q Now, my questions, the next couple, will be  
14 focused in that timeframe. Now, as of November 30, 1993  
15 when the Asset Purchase Agreement was signed, what was your  
16 understanding as to what Mr. Hicks would be expected to  
17 contribute financially with respect to the purchase of the  
18 station?

19 A As of November 30?

20 Q Correct.

21 A Well, at that time it was the escrow deposit.

22 Q And that was it as far as you knew?

23 A To my knowledge, that was all that any member  
24 contributed at that point, was the escrow deposit.

25 Q Now, placing yourself back to November 30 when the

1     Asset Purchase Agreement was signed, what was your  
2     understanding as to what Mr. Hicks would be expected to  
3     contribute financially with respect to the operation of the  
4     station should it be acquired?

5           A     I don't know if there was ever any contemplation  
6     really of that. I think it was anticipated that the  
7     operations of the station would take care of the operations  
8     of the station.

9           Q     Well, let me explain to you why I'm asking that  
10    question. We've already talked about what the financial  
11    history of the station was, 1991, 1992 and 1993. The  
12    station was losing money, substantial money in 1991 and  
13    1992. We don't have any figures for 1993, so we didn't talk  
14    about that. But as I understood our back and forth, you  
15    were aware that the station was losing money in 1993. Are  
16    you with me?

17          A     I'm not sure. I didn't think we talked about 1993  
18    at all.

19          Q     Okay. I believe we did at one point but then let  
20    me ask just to clarify. What was your understanding as to  
21    the financial situation of WRBR in 1993?

22          A     I don't really recall, but I think they were  
23    probably losing. I mean, I don't have any financial  
24    statements in front of me.

25          Q     No, I'm not asking for an exact figure at this

1 point, it's just that --

2 A I think -- I think they may have lost money, but  
3 what point in time in 1993 they lost money, I don't know.  
4 December might have been -- November -- October, November,  
5 December may have been profitable. They may have lost money  
6 in the beginning of the year. I just don't know to answer  
7 your question.

8 Q Alright. That's --

9 THE COURT: Where is the financial records for  
10 1993?

11 MR. SHOOK: We don't have it, Your Honor.

12 THE COURT: Well, where is it? Didn't WRBR  
13 prepare a financial record for 1993 similar to 1991 and  
14 1992?

15 THE WITNESS: They may have but I never saw it.

16 THE COURT: You didn't participate in the  
17 preparation of that document?

18 THE WITNESS: In 1993, no. Booth American owned  
19 that, and I didn't have anything to do with it.

20 THE COURT: Where did you get 1991 and 1992 from?

21 MR. SHOOK: It came via discovery of documents  
22 that we had requested from Booth -- excuse me, from Hicks  
23 and Pathfinder.

24 THE COURT: And there are no such documents for  
25 1992?

1           MR. SHOOK: Your Honor, if there were we  
2 overlooked them. I don't recall seeing any such.

3           THE COURT: Counsel, was any supplied -- Hicks,  
4 was any supplied for 1993?

5           MR. WERNER: Your Honor, I believe the witness'  
6 testimony has been the two documents that came in, the 1991  
7 and '92 were financials that had been supplied by Booth.  
8 And I'm unaware of any documents for 1993 that have been  
9 supplied for Hicks Broadcasting.

10          MR. CRISPIN: I think, Your Honor, just to follow  
11 it in a chronological sense, what I'm hearing is that in the  
12 summer of 1993 when they first undertook the purchase of  
13 WRBR, they were supplied with financials from Booth for the  
14 years 1991 and 1992. Now, in some instances when you buy a  
15 station mid-year like that, and actually, they didn't  
16 acquire the station till '94, the spring of 1994, sometimes  
17 you don't get that set of financials. I can hear --

18          THE COURT: Are you saying they didn't prepare any  
19 for 1993?

20          MR. CRISPIN: Because it's being sold, you know  
21 what I mean? It's sold. It happens. That's all I can say.  
22 I can't account for where the documents are, but it happens  
23 that way.

24          BY MR. SHOOK:

25          Q       Well, let me try to amplify why it is that I'm

1 asking these questions. Now, up until this point in time,  
2 it's my understanding from the documents we have and from  
3 your testimony that you have been an advisor/helper relative  
4 to the Dille children in terms of the purchase of WRBR.

5 A Let me put that in a little more perspective if I  
6 could. I helped look at all the documents for the interest  
7 of the minority shareholders. I was a coordinator of the  
8 documents, so I was looking out for their interests, yes.

9 Q And during this period you are the chief financial  
10 officer of Pathfinder. And so, to that extent you also have  
11 an understanding of how the broadcast business works from  
12 the money standpoint.

13 A Yes.

14 Q Now, if you are providing assistance or  
15 representation of some kind to the Dille children, I am  
16 presuming that it would be reasonable for you to have some  
17 idea of the financial performance of the station that's  
18 going to be bought where they're going to be holding  
19 substantial interests.

20 A Yes. The financial performance and certainly the  
21 potential financial performance of the station, yes.

22 Q And to that end, my question -- my direction  
23 question before concerned, what understanding did you have  
24 as of November 30 as to what Mr. Hicks would be expected to  
25 contribute financially to the operation of the station,

1 considering that this is a station that has been loosing  
2 money hand over fist for two years running? And here it is,  
3 you're assisting the Dille children, the children of your  
4 boss. They're going to be buying this station. What are  
5 they buying?

6 MR. GUZMAN: Objection. The question is  
7 argumentative.

8 MR. SHOOK: I'm trying to lay the background for  
9 my question so that Mr. Watson understands what it is that  
10 I'm asking.

11 THE COURT: I'll overrule the objection. The  
12 question is, what did you know about the financial picture?

13 THE WITNESS: Well, I can't remember how much we  
14 knew at that time in 1993. It's very possible that the  
15 joint sales were doing better, the Joint Sales Agreement. I  
16 just don't -- I mean, I don't remember. I don't think it  
17 was -- I know it wasn't contemplated at that time that there  
18 would be any additional finances that would have to go into  
19 the business.

20 THE COURT: Well, let's assume the worst. Assume  
21 there was going to be -- continue to be losses.

22 THE WITNESS: Well, then --

23 THE COURT: What financial responsibility must  
24 they accept? You understood --

25 THE WITNESS: Yes. Well, the operating agreement

1     itself that was created provided for loans from members.  
2     And it provided for additional capital contributions, I  
3     guess, if need be.

4             BY MR. SHOOK:

5             Q     I see. What you're thinking of is the operating  
6     agreement of the shareholders of Hicks that came into being  
7     in March of 1994?

8             A     That's correct.

9             Q     Okay.

10            A     Well -- now, I don't know -- I didn't know that  
11     that was the operating agreement on November 30, but I knew  
12     there would be some entity formed. Some entity would be  
13     formed to -- was going to be formed to buy this station.

14            Q     But what you're saying is that as of November 30,  
15     there was not any contemplation on your side as to what it  
16     is that Mr. Hicks might have to contribute financially if  
17     the station didn't make enough money to cover it's costs?

18            A     There was no contemplation of that, no.

19            Q     Was there any contemplation on behalf of the Dille  
20     children --

21            A     No --

22            Q     -- as to what they might have to contribute?

23            A     There was no contemplation, no.

24            MR. SHOOK: Your Honor, I don't know if I've done  
25     this already, but did I offer Exhibit 35.



1 THE COURT: Any objection to 35? Thirty-five has  
2 been received.

3 MR. SHOOK: Okay. Sorry.

4 THE COURT: You were just talking about 36. Has  
5 that been shown to the witness?

6 MR. SHOOK: No, 36 was not shown to the witness  
7 yet. And I haven't gotten to that. I'm sorry, Your Honor.

8 THE COURT: Alright.

9 BY MR. SHOOK:

10 Q I want to direct your attention to Mass Media  
11 Bureau Exhibit 3, page 66. You don't have that in front of  
12 you right now.

13 THE COURT: Is this the Pledge Agreement?

14 MR. SHOOK: It should be the Guaranty, Your Honor.

15 THE COURT: Page 56?

16 MR. SHOOK: Sixty-six.

17 THE COURT: Oh, 66.

18 BY MR. SHOOK:

19 Q Do you have that in front of you, sir?

20 A Yes.

21 Q Do you recognize the document?

22 A Yes.

23 Q In general terms, can you tell us what it is?

24 A Well, it's a -- it's a personal guaranty of the  
25 members of Hicks Broadcasting, LLC and for -- in the total

1 amount of \$250,000. And each one of them is guaranteed as  
2 you can see in the body of the guaranty.

3 Q Right. Now, with respect to the figures that  
4 appear for John F. Dille IV, Sara F. Dunkel and Alex C.  
5 Dille, you see that each is in the amount of \$40,000 plus.  
6 What was your understanding as to how they were going to  
7 come up with that money if they had to?

8 A I really didn't have an understanding of how they  
9 would come up with the money, nor did I have an  
10 understanding that they would ever have to come up with the  
11 money. I mean I -- you know, it wasn't contemplated that  
12 that would ever have to take place.

13 THE COURT: Well, did you have any discussions  
14 with Mr. Dille concerning the source of the funds, if  
15 necessary?

16 THE WITNESS: If necessary, these particular  
17 funds, no.

18 BY MR. SHOOK:

19 Q From this document, you were also aware that Mr.  
20 Hicks was providing a guaranty?

21 A Yes.

22 Q Do you know whether or not Pathfinder had any  
23 plans as to how Hicks would move his share of the guaranty  
24 in the event he could not do so?

25 MR. WERNER: Objection. Assumes facts that there

1 was an intention in the first place.

2 MR. SHOOK: He can answer the question.

3 THE COURT: Overruled.

4 THE WITNESS: Would you repeat the question,  
5 please?

6 BY MR. SHOOK:

7 Q Okay. Were you aware of whether Pathfinder had  
8 any plans as to how Hicks would meet his share of the  
9 guaranty in the event he could not do so?

10 A No. I was aware of no Pathfinder plan.

11 Q Were you aware of any plans that Mr. Dille had as  
12 to how Hicks would meet his share of the guaranty in the  
13 event Hicks would not do so?

14 A No.

15 Q I want to direct your attention to Mass Media  
16 Bureau Exhibit 36. Now, directing your attention to Mass  
17 Media Bureau Exhibit 36, does this refresh your recollection  
18 as to whether or not Pathfinder or John Dille had any plans  
19 as to how Hicks would meet his obligations under the letter  
20 of credit and guaranty in the event he could not do so?

21 MR. WERNER: Objection, Your Honor. The document  
22 speaks for itself. It hasn't been offered --

23 THE COURT: This is to refresh his recollection.

24 MR. WERNER: There's no foundation that he's  
25 ever --

1 THE COURT: Any document can be used to refresh  
2 his recollection. Overruled.

3 THE WITNESS: No, not at all. I was not aware  
4 of -- I mean, I hadn't even see this.

5 THE COURT: The question is not whether you've  
6 seen it. Having read it, does it refresh your recollection?

7 MR. WERNER: Your Honor, I'd renew my objection.  
8 The witness didn't testify that he had any lack of  
9 recollection on the matter, and therefore there's no basis  
10 for refreshing his recollection. He has no lack of  
11 recollection to be refreshed.

12 THE COURT: I think it is perfectly permissible in  
13 this case where the witness is a principal, to ask questions  
14 of this nature. I'll permit it. Overruled.

15 THE WITNESS: I answered it, didn't I?

16 BY MR. SHOOK:

17 Q I believe you did. Mr. Watson, are you aware of  
18 any effort that was made on behalf of the Dille children  
19 during the period prior to the execution of the Asset  
20 Purchase Agreement to ascertain the financial situation of  
21 David Hicks?

22 A No, but I don't believe there was. And I don't  
23 think there was any reason for him to. Not that there was  
24 certainly no reason -- apparent reason for them to have to  
25 investigate the financial stability of Dave.

1 Q A simple answer is no.

2 A Does that mean I can't continue?

3 THE COURT: Well, the question is, were you aware  
4 of any such investigation? If your answer is no, that's the  
5 answer. If Counsel wants to ask you any further question,  
6 he can ask you, or your Counsel wants to ask you further  
7 questions.

8 BY MR. SHOOK:

9 Q Prior to the signing of the Asset Purchase  
10 Agreement, what was your knowledge as to Mr. Hicks'  
11 employment situation?

12 A Well, you said prior to the --

13 Q Signing of the Asset Purchase Agreement.

14 A It was my understanding he was employed by Crystal  
15 Radio in Kalamazoo and was employed and part owner in a  
16 group of stations there.

17 Q That more or less anticipates my next question  
18 which was, prior to the signing of the Asset Purchase  
19 Agreement, what was your knowledge as to Mr. Hicks'  
20 ownership interest in broadcast stations?

21 A Well, I knew that he had been an owner-operator.  
22 And I believe in that particular entity, I'm not positive,  
23 but I think he owned a third of it.

24 Q You know how many stations were involved?

25 A No, I don't.

1 Q Did you know whether Mr. Hicks had any financial  
2 obligations relative to those stations?

3 A No.

4 Q And so far as you know, no investigation was done  
5 as to what his financial situation might be relative to  
6 those stations?

7 A No.

8 Q I mean, if he happened to own -- if he happened to  
9 owe a million dollars relative to those stations, you  
10 wouldn't have known?

11 A No. But again, he had -- I mean, there had been  
12 no reason I think to investigate him. He had been an  
13 acquaintance of John Dille for a long time. He had been an  
14 owner-operator. He was a present owner-operator. He was  
15 employed. I just don't think in Elkhart, Indiana it would  
16 have been thought of to do any investigation. And I don't  
17 feel like it would have been done.

18 THE COURT: You think banks operate the same way,  
19 the fact that you live in the community they don't try to  
20 get financial records if you want to make a loan?

21 THE WITNESS: No, I know banks certainly --

22 THE COURT: Well, you're saying that the mere fact  
23 that he was an employee and he owned stations. You had no  
24 idea how much he owed. You were not concerned whether he  
25 might have owed a million dollars? That didn't concern you

1 at all simply because he lived in the same community? Is  
2 that what you're saying?

3 THE WITNESS: No, he didn't concern -- he did not  
4 concern me. I thought he was financially stable.

5 THE COURT: What was the basis of that?

6 THE WITNESS: I had no reason to think otherwise.

7 THE COURT: Well, did you have the reason to think  
8 one way or the other, since you hadn't conducted any kind of  
9 investigation?

10 THE WITNESS: Just that he knew John. John knew  
11 him.

12 BY MR. SHOOK:

13 Q Prior to the signing of the Asset Purchase  
14 Agreement, did you have any conversations with Eric Brown  
15 regarding any concerns of the shareholders of Hicks' then  
16 employer, The Crystal Radio Group, about Hicks' proposed  
17 ownership of WRBR?

18 A No.

19 Q Were you a party to any conversations between Mr.  
20 Hicks and anyone on behalf of Pathfinder as to the financial  
21 wherewithal of the Dille children, prior to the execution of  
22 the Asset Purchase Agreement?

23 A Well, you're going to have repeat that again. I'm  
24 sorry.

25 Q Okay. Maybe I can make it a bit simpler. Well,

1 maybe I can't. Just try to listen to the question.

2 A Okay. Alright.

3 THE COURT: Do you have any knowledge of the  
4 financial resources of the Dille children?

5 THE WITNESS: Prior to the signing of the Asset  
6 Purchase Agreement, yes.

7 BY MR. SHOOK:

8 Q And what knowledge was that?

9 A Well, I knew that there had been discussions  
10 relating to John's contributions to the children. There had  
11 been discussions with legal counsel so that, for example,  
12 the escrow money, that was -- happened right at the signing  
13 of the agreement. And I was aware that that money was  
14 contributed by John to them. And I would have been party to  
15 that -- those discussions and discussions with counsel on  
16 that subject.

17 Q Looking at it a little bit differently, you  
18 understood at the time that if the Dille children had to  
19 make a financial contribution, that the money was going to  
20 come from their father?

21 A Certainly if it had come in the immediate future,  
22 yes, I did understand that.

23 Q I mean, so far as you --

24 A In the immediate future, knowing that they didn't  
25 have the funds at that time.



1 Q Right, right. I mean, they did not have  
2 independent sources of money?

3 A That's correct.

4 Q Now, were you a party to any conversations between  
5 Mr. Hicks and anyone on behalf of Pathfinder, including  
6 yourself, about that, about the financial situation of the  
7 Dille children?

8 A No.

9 Q Were you aware of any request by Mr. Hicks or  
10 anyone on his behalf to review the financial situation of  
11 the Dille children?

12 A No.

13 Q Now, did you review the Asset Purchase Agreement  
14 on behalf of the Dille children?

15 A Yes.

16 Q Was that review at John Dille's direction?

17 A Yes.

18 Q And you didn't do that on your own?

19 A No. I mean, I --

20 Q That was part of your job?

21 A It's part of my job. I mean, it is -- it involved  
22 his family, and I would have done that because I've had some  
23 experience.

24 Q So again, we're not talking about a separate  
25 payment to yourself by Mr. Dille for that review?

1 A No.

2 Q This is just something that was part of your  
3 normal job and you were paid as -- your normal salary?

4 A Correct.

5 Q You weren't paid separately by the Dille children?

6 A Correct.

7 Q So really, you understood that that review is just  
8 part of your job as chief financial officer of Pathfinder?

9 A I understood it, but I didn't even think about it.  
10 I mean --

11 Q Right. You didn't think of it in those terms. It  
12 was just something you did?

13 A That's right.

14 Q I want to direct your attention to Mass Media  
15 Bureau Exhibit 3, page 12. Now, were you aware that an  
16 application was going to be filed on behalf of Hicks  
17 Broadcasting of Indiana, LLC to acquire WRBR?

18 A Yes.

19 Q Did you have any role in preparing material to be  
20 included in the application?

21 A Yes. My role in that application -- I got a draft  
22 of it. And I focused on the exhibits to the application  
23 which involved the ownership interests of the minority  
24 shareholders and anything to do with the ownership that was  
25 in the exhibits I reviewed for -- as I would in any

1 application. That's generally what I focus on.

2 Q Okay. Speaking of that, if you could please --  
3 I'm afraid we're going to be jumping back and forth between  
4 a couple of volumes, so why don't we keep it --

5 A I suggested keeping it up here.

6 Q What I'd like you to turn to is Mass Media Bureau  
7 Exhibit 38.

8 A You said 38. Correct?

9 Q Yes, sir.

10 A Okay. Alright.

11 Q I take it you received the fax in question?

12 A I'm sorry, I -- oh, facsimile. I presume I did.

13 Q Well, just to clarify for me --

14 A Yes --

15 Q -- what it is that you received. Did you actually  
16 receive the penned-in portion of the assignment application  
17 that Mr. Hicks had filled out, or simply this cover letter  
18 or letter?

19 A I don't recall. I believe I send in -- I believe  
20 that I saw the penned-in or penciled-in version of the  
21 draft. I think I saw that, but -- excuse me. That was just  
22 part of it. I mean, the actual exhibit -- exhibits which I  
23 would have looked at would have initially been prepared by  
24 our counsel, and that's what I would have looked at. Or not  
25 -- yeah, Alan Campbell at that time. I focused on nothing

1 in that application but that.

2 Q Alright. Well, I'll ask you some questions along  
3 that line --

4 A Okay --

5 Q -- to make sure we're on the same wavelength  
6 there.

7 A Alright.

8 MR. SHOOK: In any event, the Bureau offers  
9 Exhibit 38.

10 THE COURT: Any objection?

11 MR. GUZMAN: None.

12 MR. HALL: None, Your Honor.

13 THE COURT: Exhibit 38 is received.

14 (The document referred to was  
15 marked for identification as  
16 Mass Media Bureau Exhibit 38,  
17 and was received in evidence.)

18 BY MR. SHOOK:

19 Q Mr. Watson, I want to direct your attention to  
20 Mass Media Bureau Exhibit 3, page 20. Okay. Do you notice  
21 the response given to question 15?

22 A Yes.

23 Q Now, also I'd like you to -- you've got the other  
24 volume up there with you, Mass Media Bureau Exhibit 37, page  
25 8.

1 A Okay.

2 Q Now also, question 15; you notice what's marked  
3 there?

4 A Yes.

5 Q Now, I think you had mentioned you hadn't  
6 really -- you had received a penned-in portion but you  
7 hadn't really looked at it very closely. Is that a correct  
8 understanding?

9 A I believe I received both portions -- both.

10 Q Now, along those lines, were you aware of the  
11 answer that the applicant, in this case Hicks Broadcasting  
12 of Indiana, LLC, intended to give the Commission with  
13 respect to question 15?

14 A No, I wouldn't have been aware of it. I wouldn't  
15 have even focused on any part of this application other than  
16 the exhibits.

17 Q Directing your attention to the next page of both  
18 Mass Media Bureau Exhibit 37. In that case, it's page 9,  
19 and page 21 of Mass Media Bureau Exhibit 3. Directing your  
20 attention to Section 3, Assignees Financial Qualifications  
21 and the answers given there, were you aware of the answer  
22 that Hicks Broadcasting of Indiana, LLC intended to give the  
23 Commission?

24 A Again, I would not have focused on this  
25 application at all. I mean, I wouldn't have looked at

1 anything but the exhibits.

2 THE COURT: But you were involved in the  
3 preparation of the application?

4 THE WITNESS: No, I was not.

5 THE COURT: Well, you were asked for information?

6 THE WITNESS: I was asked for like that one  
7 exhibit -- asked for the addresses of the children, and then  
8 I was asked to review the exhibits to the application  
9 because of my knowledge of ownership interests. And that's  
10 all I looked at.

11 THE COURT: You were not asked any questions  
12 concerning finances?

13 THE WITNESS: No, I wasn't, by anyone.

14 BY MR. SHOOK:

15 Q So, you would -- so, what would your answer be to  
16 the question -- let me ask the question. You notice that  
17 Section 3 makes reference to whether or not the applicant is  
18 financially qualified. And along those lines, were you  
19 aware of what net liquid assets Hicks Broadcasting of  
20 Indiana, LLC had on hand as of December 1993?

21 A Yes, I would have been aware of Hicks  
22 Broadcasting's assets at that moment, yes.

23 Q And what net --

24 A But it really wasn't -- hadn't even been quite  
25 formed yet.

1 Q Well, with that in mind --

2 A Yes --

3 Q -- what was your understanding of what net liquid  
4 assets they would have had?

5 A Well again, I didn't look -- I didn't read this.  
6 But that moment in time, the actual entity would not have  
7 had any assets. Now, I guess I looked further to this as --  
8 you know, I don't know if you can do that, but to me it  
9 would be the -- I would look further to the members of the  
10 entity.

11 Q And so, as far as looking to the members are  
12 concerned given your understanding of the financial  
13 situation of the Dille children, you would be comfortable  
14 with the "yes" response to the question whether or not the  
15 applicant was financially qualified?

16 A Yes.

17 MR. GUZMAN: Objection. It's hypothetical. He  
18 testified he didn't see it.

19 THE COURT: Sustained.

20 BY MR. SHOOK:

21 Q Now, I have asked something similar to this, I  
22 believe, but I don't think I've asked this particular  
23 question. As of December 1993 when this application is  
24 filed, were you aware of what plans, if any, Hicks  
25 Broadcasting of Indiana, LLC had for operating the

1 facilities of WRBR for three months in the event expenses  
2 exceeded revenues?

3 A Well, I don't think it was -- I mean, it wasn't  
4 contemplated at that point. It wasn't even thought of. It  
5 was just assumed that, I think, that operations would take  
6 care of itself.

7 Q Notwithstanding the fact that the station had lost  
8 considerable amounts of money previously?

9 A Notwithstanding that. I mean, I don't think it  
10 was thought of. I mean, it was thought that operations  
11 would take care of itself. And if they didn't take care of  
12 itself, then somebody would have to put some money in to  
13 take care of it. But again, it wasn't thought of as a  
14 concept at that point. It was not --

15 Q As of December 1993 -- excuse me.

16 A It was not addressed.

17 Q As of December 1993, was there a budget for Hicks  
18 Broadcasting of Indiana, LLC so far as you knew?

19 A As of December, no.

20 Q Now, directing your attention to Section 5, which  
21 is the Assignees Equal Employment Opportunity Program, that  
22 appears on page 9 of Mass Media Exhibit 37 and page 21 of  
23 Mass Media Bureau Exhibit 3.

24 A I'm sorry. Let me catch up with you. Twenty-one  
25 and three and wherr in here? Thirty --



1 Q Thirty-seven, page 9.

2 A Okay. Okay.

3 Q Were you aware of the answer that Hicks  
4 Broadcasting of Indiana, LLC intended to give the Commission  
5 that it was going to operate station WRBR with fewer than  
6 five full-time employees?

7 A I'm not sure if I was or not. I seem to recall  
8 some discussion on that, but I don't know -- it's very  
9 vague. I mean, more than anything else, I seem to recall  
10 some discussion on that, yes.

11 Q Okay. Were you aware of how Hicks was going to  
12 operate the facilities of WRBR with less than five full-time  
13 employees?

14 A Well, I think they were considering -- I mean,  
15 yes, they only had five full-, or less than five full-time  
16 employees. They were actually 100 percent WR employees.  
17 The remaining employees would be employees of the JOA or  
18 shared employees.

19 Q Had that been the case while Booth was the  
20 licensee?

21 A No, but we -- my understanding is that there were  
22 some measures. I don't know how many employees they took.  
23 They had -- I don't know really. I don't know what their  
24 EEO report looked like -- but -- I don't know what their EEO  
25 report -- maybe they did have fewer than five. I do know